



Financial Results for the 1H for the FY ending March 2023

October 28, 2022

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NEC Networks & System Integration Corporation

(TSE: 1973, NESIC)

Agenda

**I. Results for the 1H FY2023/3
& Forecasts for the FY2023/3**

II. Update of “Shift up 2024”

I. Results for the 1H FY2023/3 & Forecasts for the FY2023/3

1H FY2023/3 Summary

(¥ Bn.)

	1H FY22/3	1H FY23/3	Change
Orders received	165.9	172.4	-4%
Net sales	141.0	142.7	+1%
Gross profit	27.3	25.8	-1.4
(to sales)	19.3%	18.1%	-1.2pt
SG&A	19.6	21.2	-1.6
Operating income	7.6	4.6	-3.0
(to sales)	5.4%	3.3%	-2.1pt
Net income attributable to owners of the parent	4.7	2.7	-2.0
(to sales)	3.3%	1.9%	-1.4pt
Free cash flows	13.6	8.1	-5.5
Orders backlog	163.2	196.4	+20%

Progress in strategic areas despite of unexpected cost up

Orders:

- 2-digit growth in 2Q(Jul-Sep) (+11%)
 - Increased orders from enterprises
- Orders grew lead by DX

Sales:

- Service increased
- SI/construction decreased due to longer TAT

Profits:

- Cost up due to rapid yen depreciation (-1.4)
+loss at a Thai subsidiary (-1.1)
 - GPM excluding above impacts improved yoy
- SG&A for future growth increased
 - Sales and business development sections

Orders Received/Net Sales by Business Model

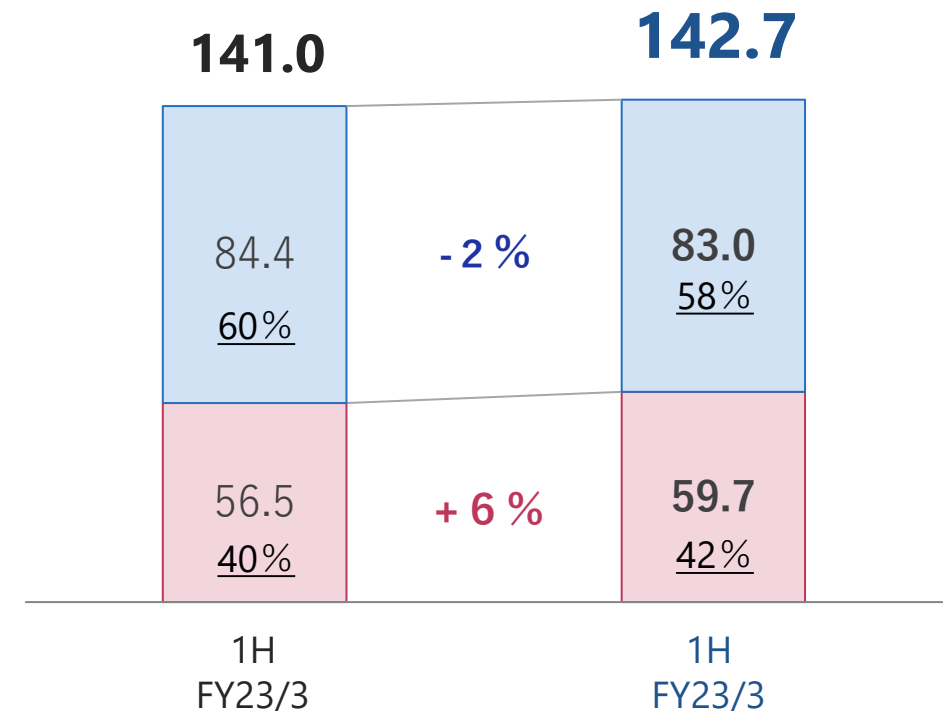
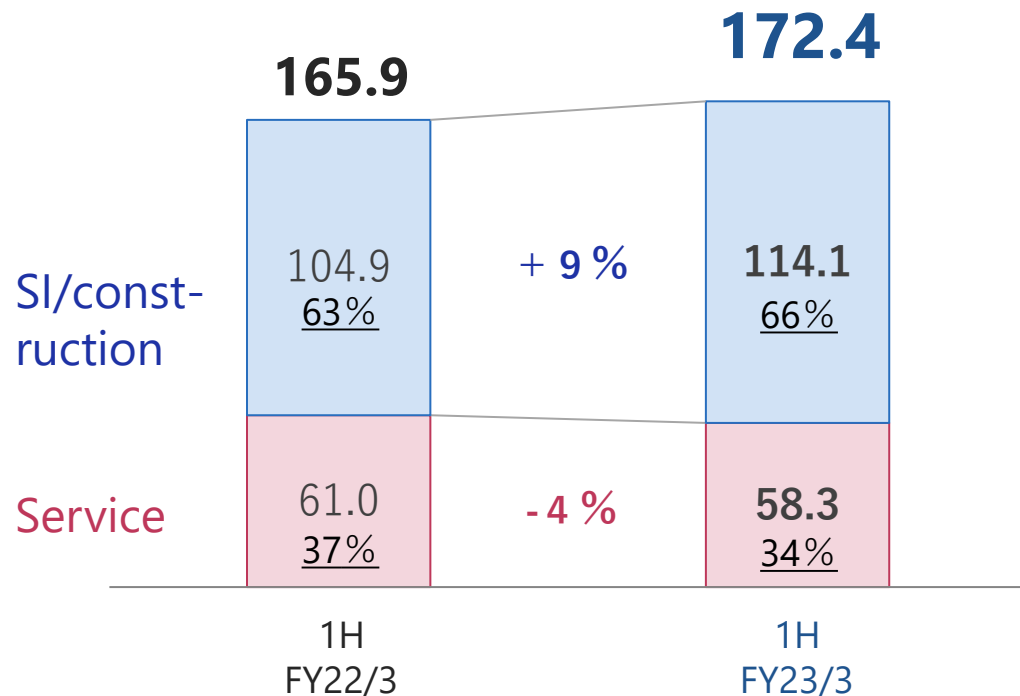
SI/construction: Orders increased with sales shift to 2H

Service: Although orders fluctuate due to the timing of large contracts, sales is steadily expanding

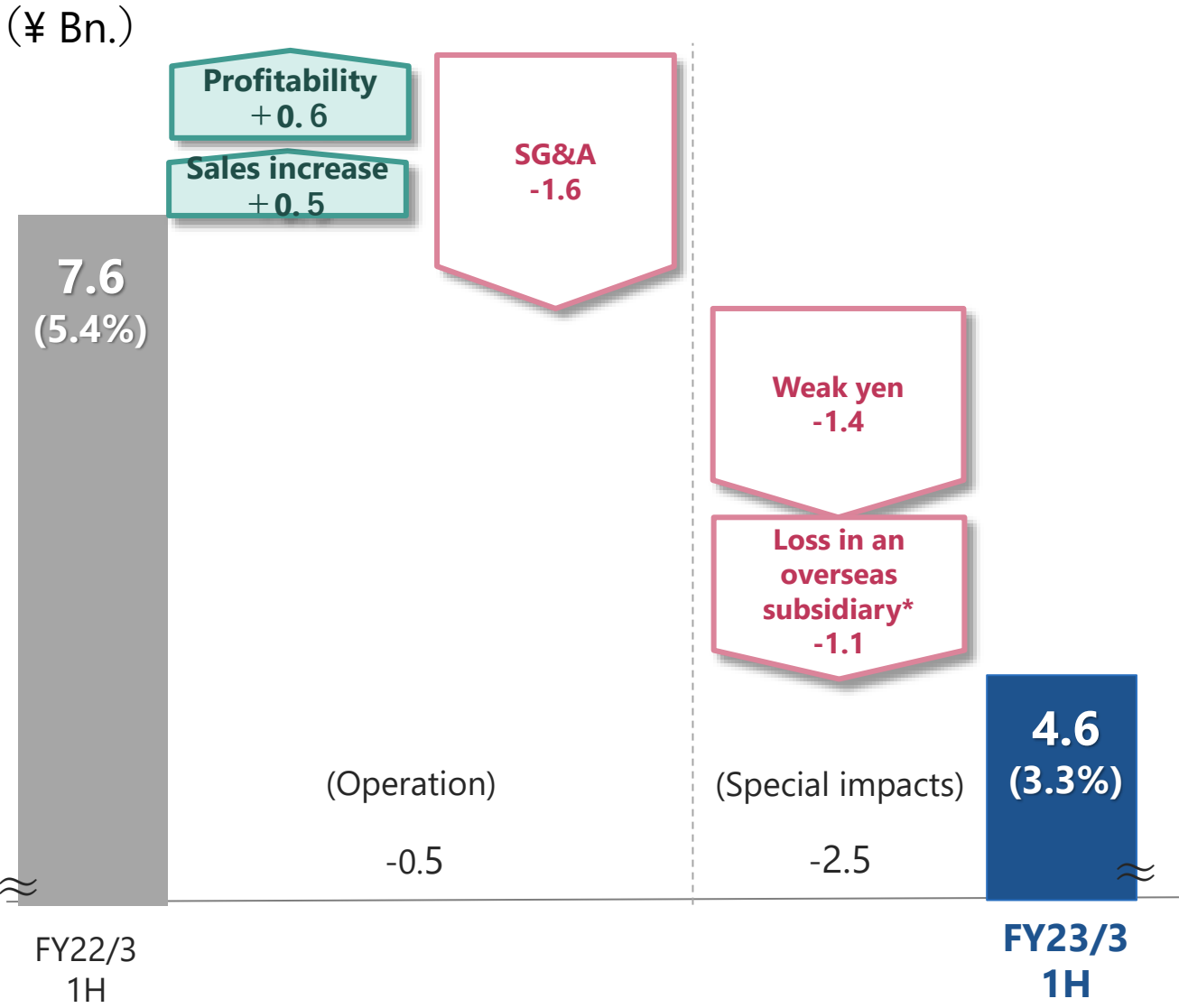
Orders received

Net sales

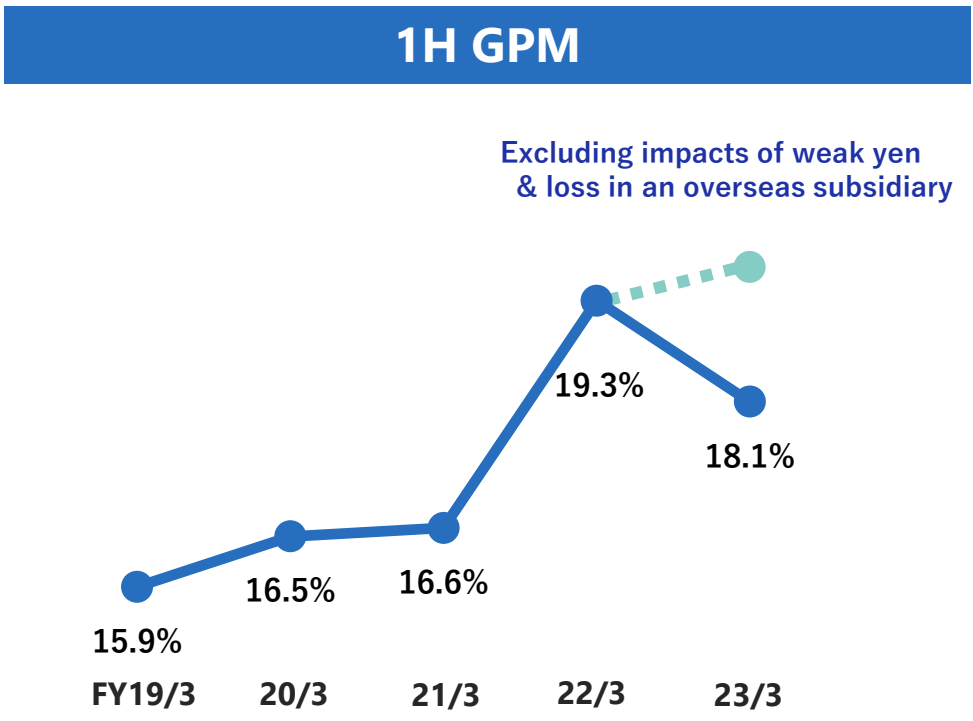
(¥ Bn.)



Operating Income Analysis



GMP improved without special impacts

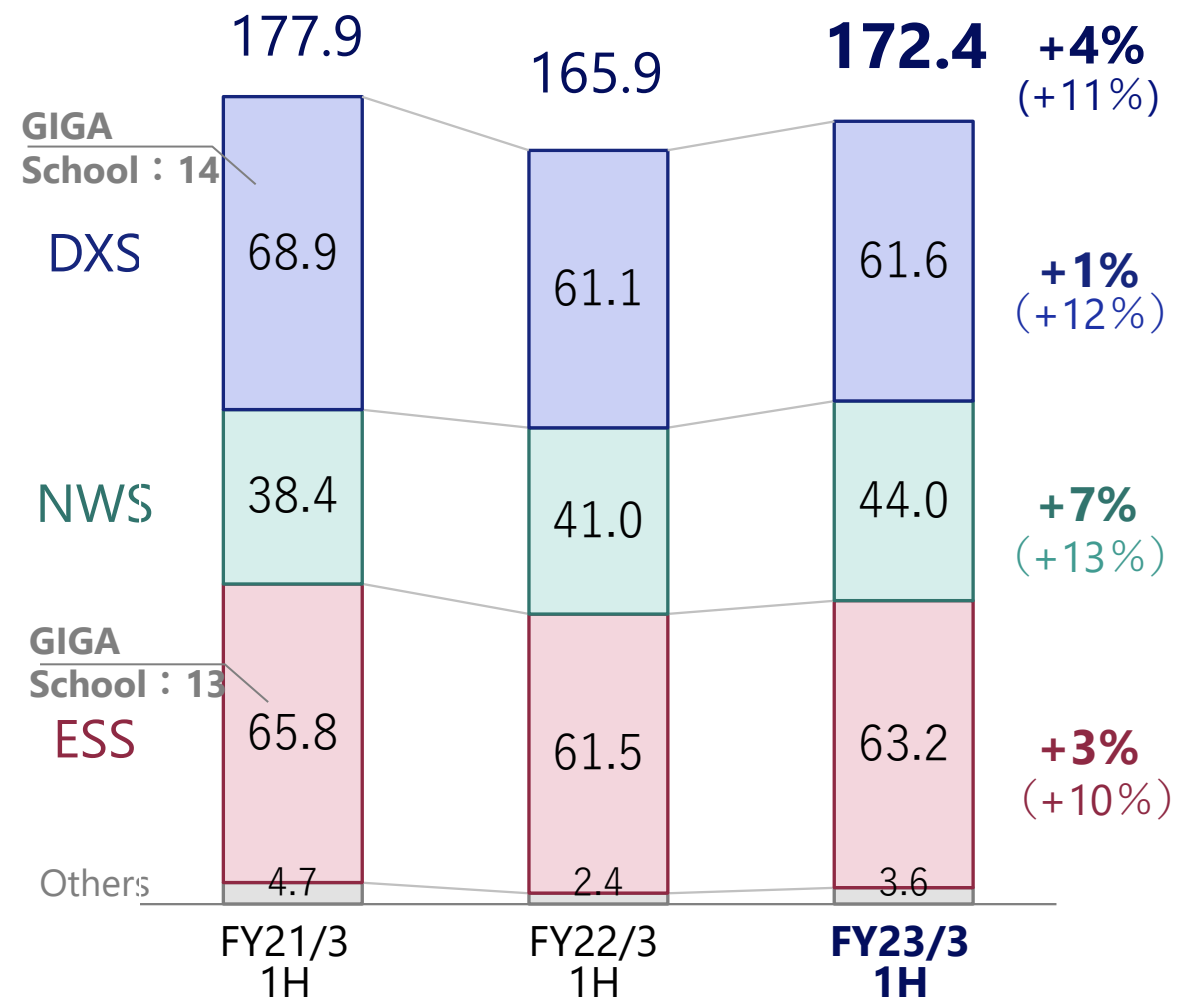


*Thai telecom construction PJ

1H FY2023/3 Orders Received by Segment

(¥ Bn.)

(): 2Q only



DX Solutions (DXS)

- Slight increase making up for reactionary fall of large orders in the previous 1H
 - Product biz for financial companies increased
 - Increasing prospective DX PJs for manufacturing companies and municipalities

Network Solutions (NWS)

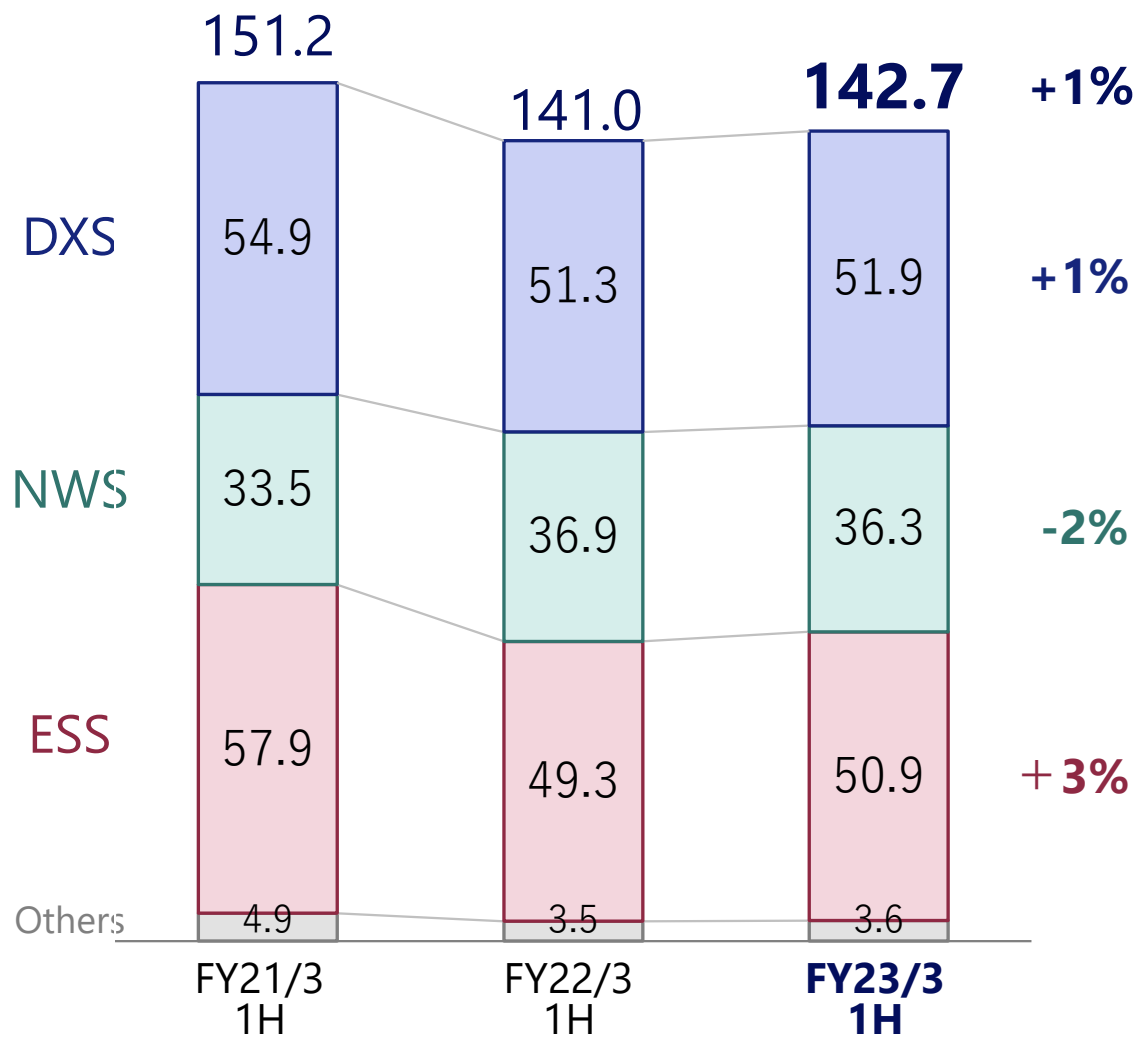
- Local 5G & marine biz increased
 - Telecom carriers biz slightly decreased

Environmental & Social Solutions (ESS)

- Increased product related services biz
- Construction biz slightly decreased with rich prospective PJs

1H FY2023/3 Net Sales by Segment

(¥ Bn.)



DX Solutions (DXS)

- Service biz increased (+10%)
- SI/construction biz decreased with shift to 2H

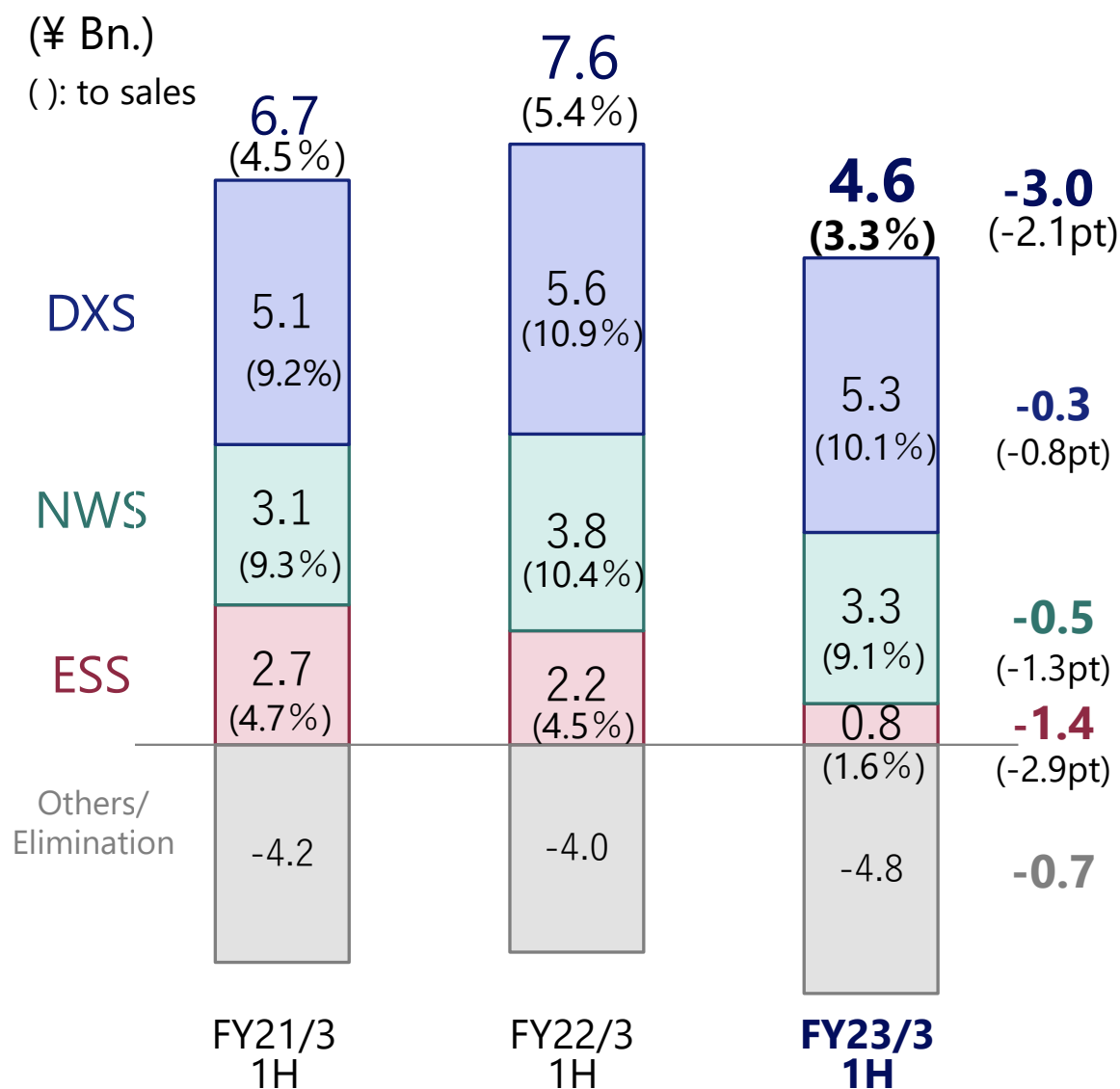
Network Solutions (NWS)

- Sales decreased due to delay by S/C and materials shortage

Environmental & Social Solutions (ESS)

- Sales slightly increased with negative impact of S/C and materials shortage

1H FY2023/3 Operating Income by Segment



DX Solutions (DXS)

- Decreased due to weak yen impact and cost up for future growth
- Profitability of conventional business decreased

Network Solutions (NWS)

- Decreased due to cost up for future growth
-GPM improved covering weak yen impact

Environmental & Social Solutions (ESS)

- Decreased due to weak yen impact and loss in Thai subsidiary

Others/elimination

- Cost for HQ relocation & ERP system

1H FY2023/3 Gross Margin by Segment

	1H FY22/3	1H FY23/3	Change
DX Solutions	21.7%	21.3%	-0.4pt
Network Solutions	22.0%	22.4%	+0.4pt
Environmental & Social Solutions	16.5%	13.1%	-3.4pt
Company total	19.3%	18.1%	-1.2pt

*Weak yen impact , lower profitability of conventional biz

*Weak yen impact, loss in Thai subsidiary

FY2023/3 Forecasts

(¥ Bn.)

	1H FY23/3 forecasts	FY23/3 forecasts	Change	Previous forecasts	Change
Orders received	336.8	350	+4%	350	-
Net sales	310.3	330	+6%	330	-
Operating income	23.2	22.0	-1.2	26.0	-4.0
(to sales)	7.5%	6.7%	-0.8pt	7.9%	-1.2pt
Net income	15.0	13.0	-2.0	15.3	-2.3
attributable to owners of the parent (to sales)	4.8%	3.9%	-0.9pt	4.6%	-0.7pt

Orders backlog	165.2	187	+13%
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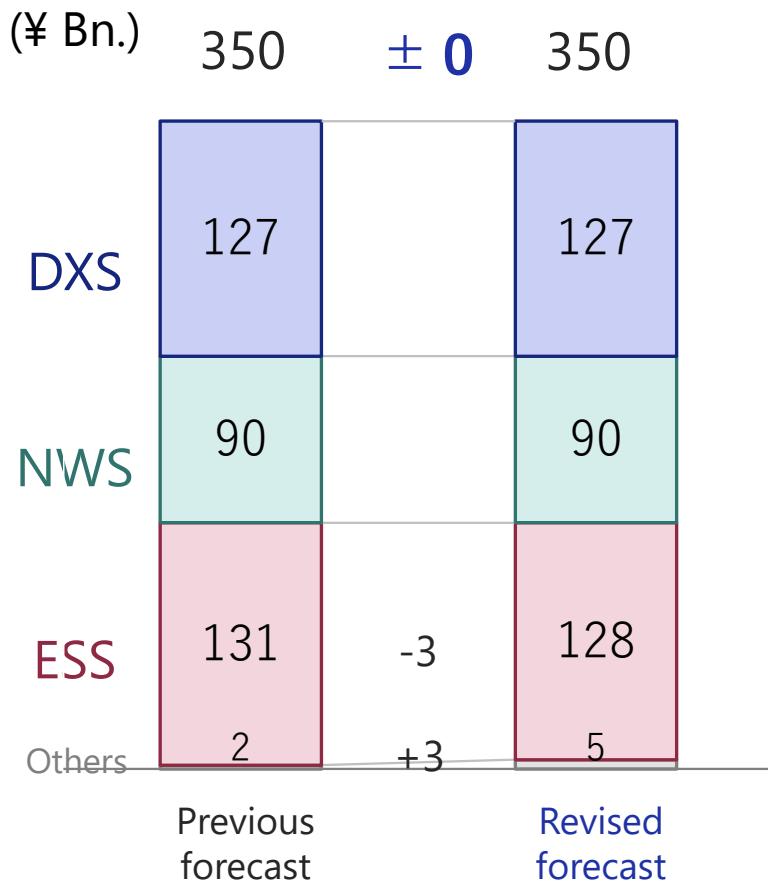
Revised income forecasts reflecting weak yen, loss in Thai subsidiary and sales mix in 2H

Aiming for improvement from the revised forecasts accelerating the following measures:

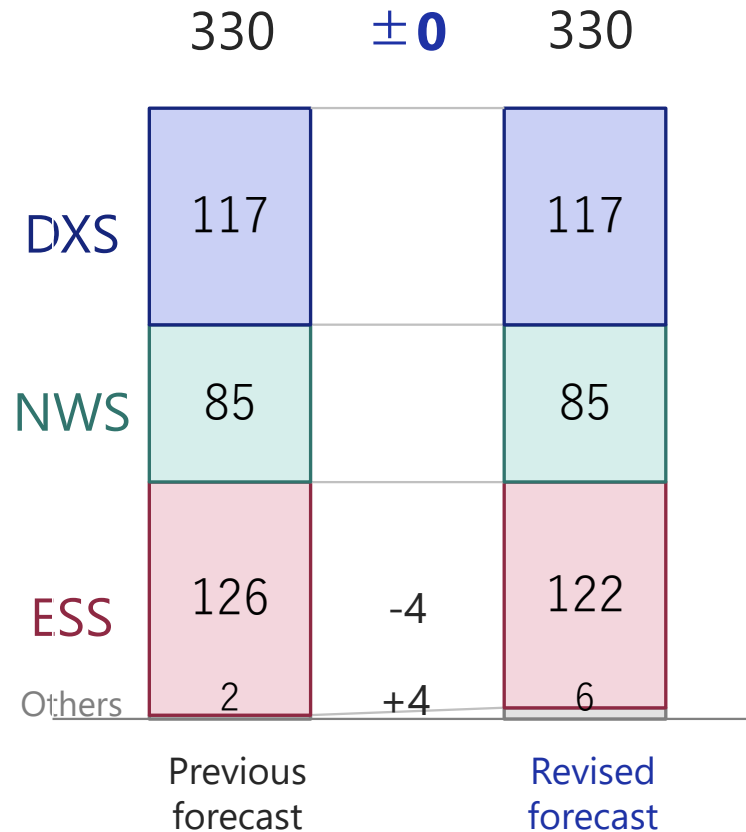
- Crystallization of abundant prospective PJs and orders backlogs
- Price pass-through of weak yen impact
- Profitability improvement through higher value-added service/more efficient operation with DX
- Reduction of nonurgent cost

FY2023/3 Forecasts by Segment

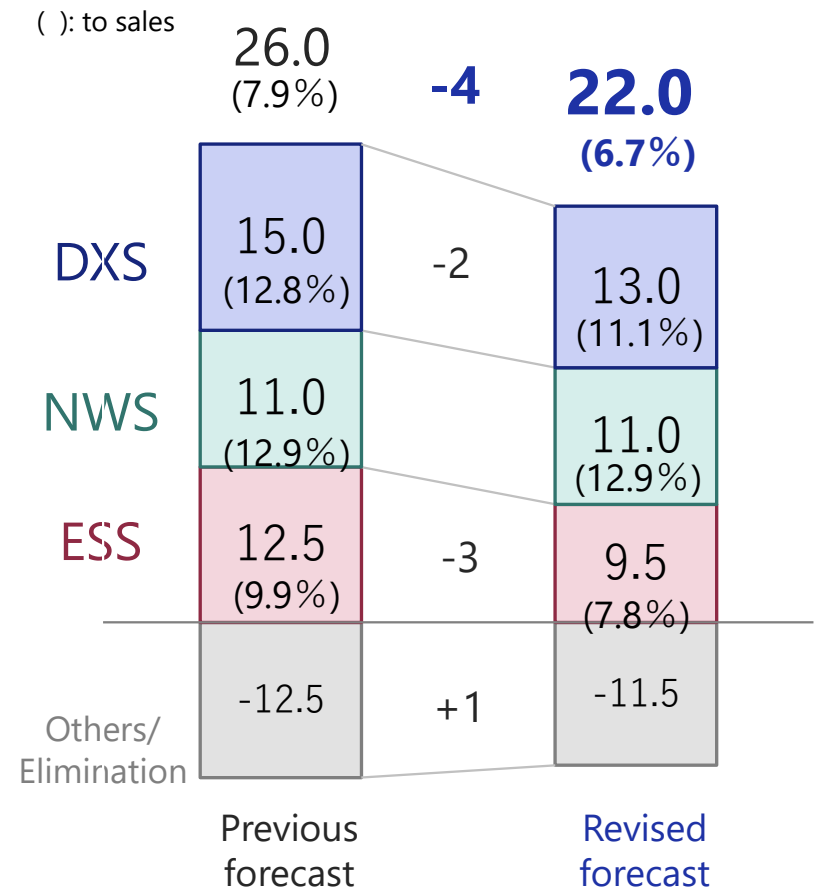
Orders received



Net sales



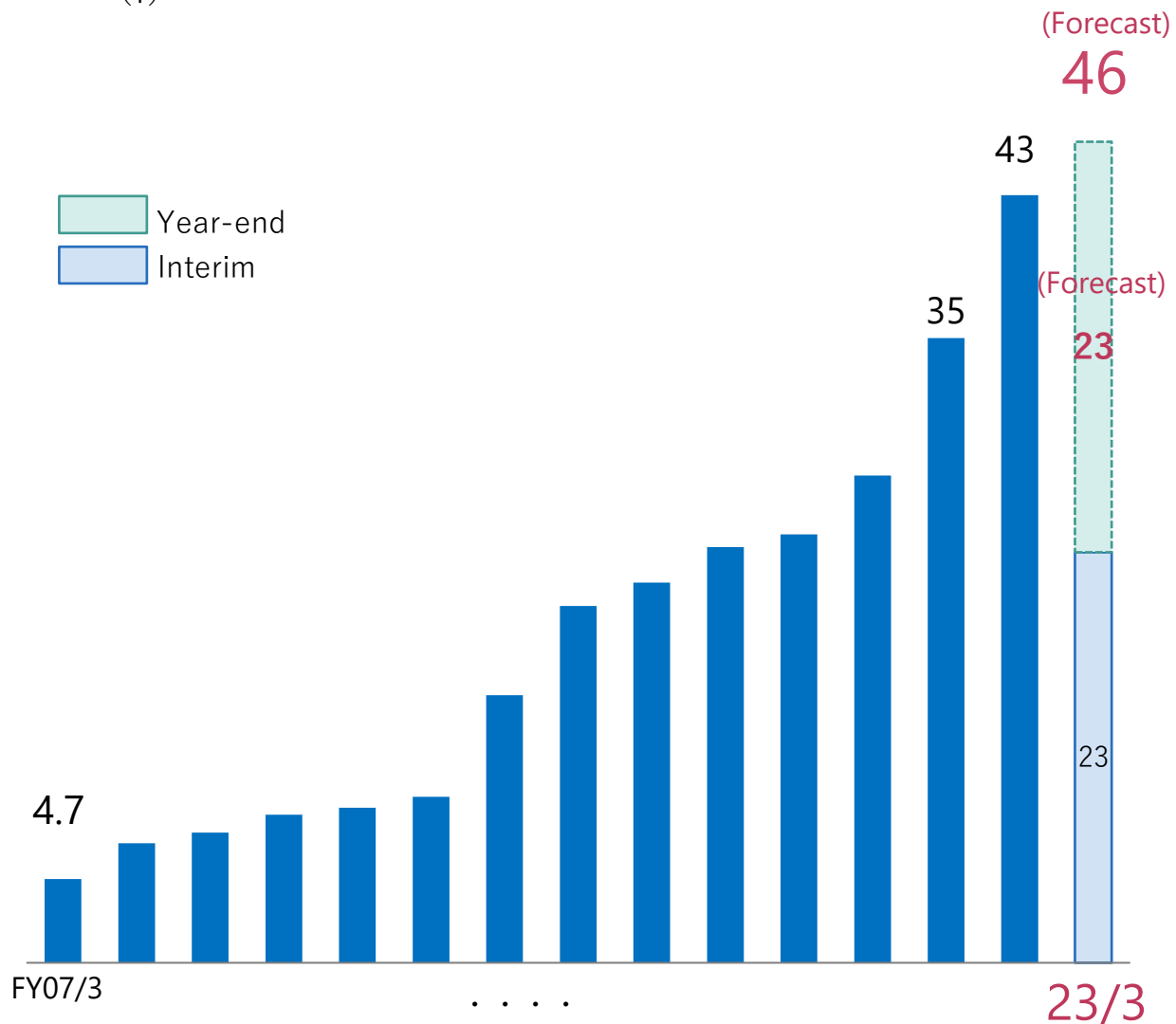
Operating income



Dividend

Dividend/share
(¥)

Year-end
Interim



No change in the dividend plan

Interim : ¥23/share

Increasing for the 16th year in a row

* The results for the fiscal years ended March 2020 and prior thereto presented below reflect the three-for-one stock split conducted on June 1, 2020

II. Update of “Shift up 2024”

What We Seek to Achieve in 2030 (From Slides at May)



Provide services that anticipate future changes in society and technologies

Decarbonization

Energetic communities

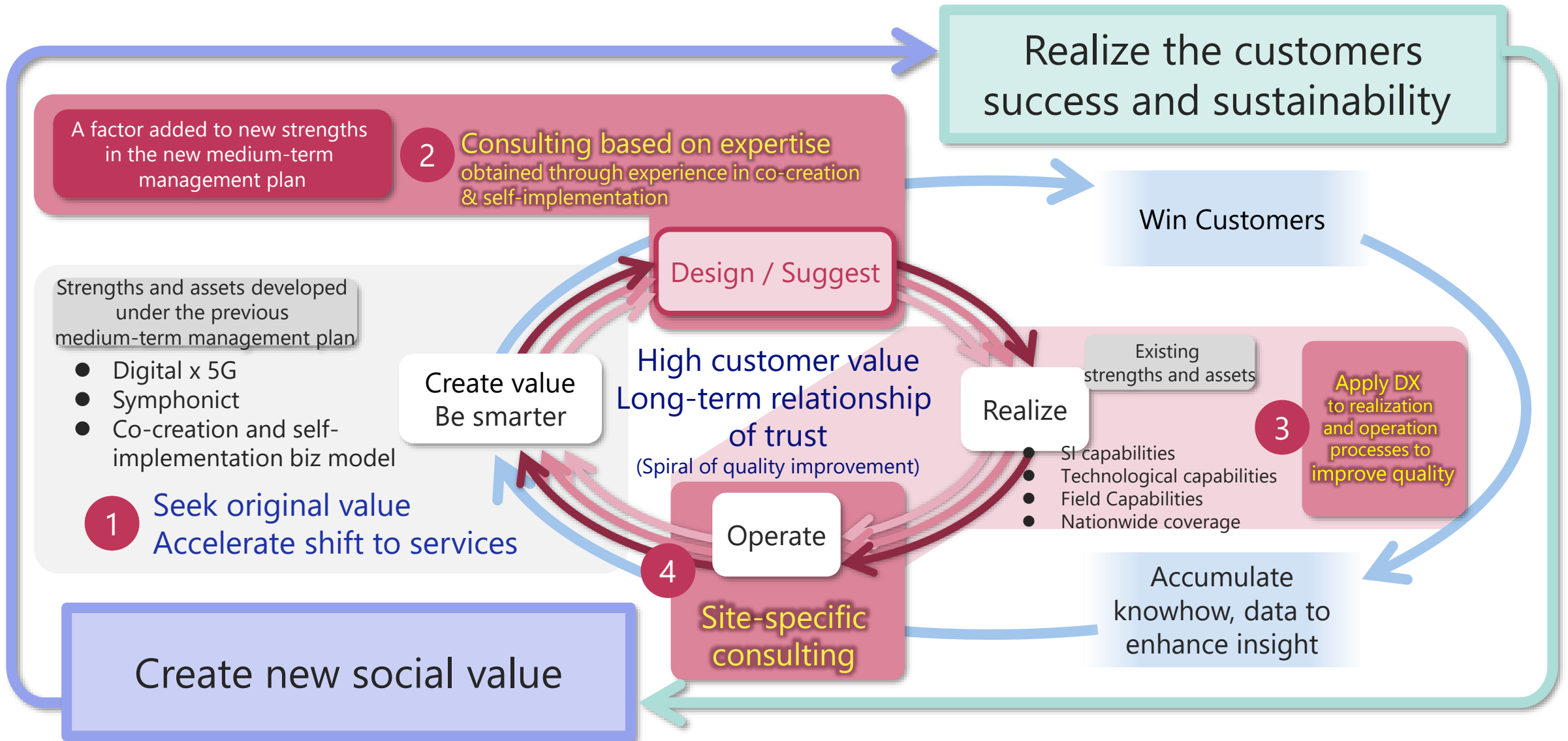
Smart industry

Work/lifestyles with greater freedom

Safety and security

Health Well-Being

Spiral-Type Growth Model (From Slides at May)



Basic Strategy (From Slides at May)

1

Accelerating Original Value Creation

- Self-implementation based & site-specific consultation
- Service models for specific biz types & specific application
- Common platform services leveraging our strengths
- Co-creation, self-implementation and innovation

2

Advancing Solution Capabilities

- Biz area expansion for infra. Operators and local 5G
- Evolving existing assets for community development with DX x beyond 5G
- Transforming all biz to ensure they address climate change

3

Evolve into DX-Native Company

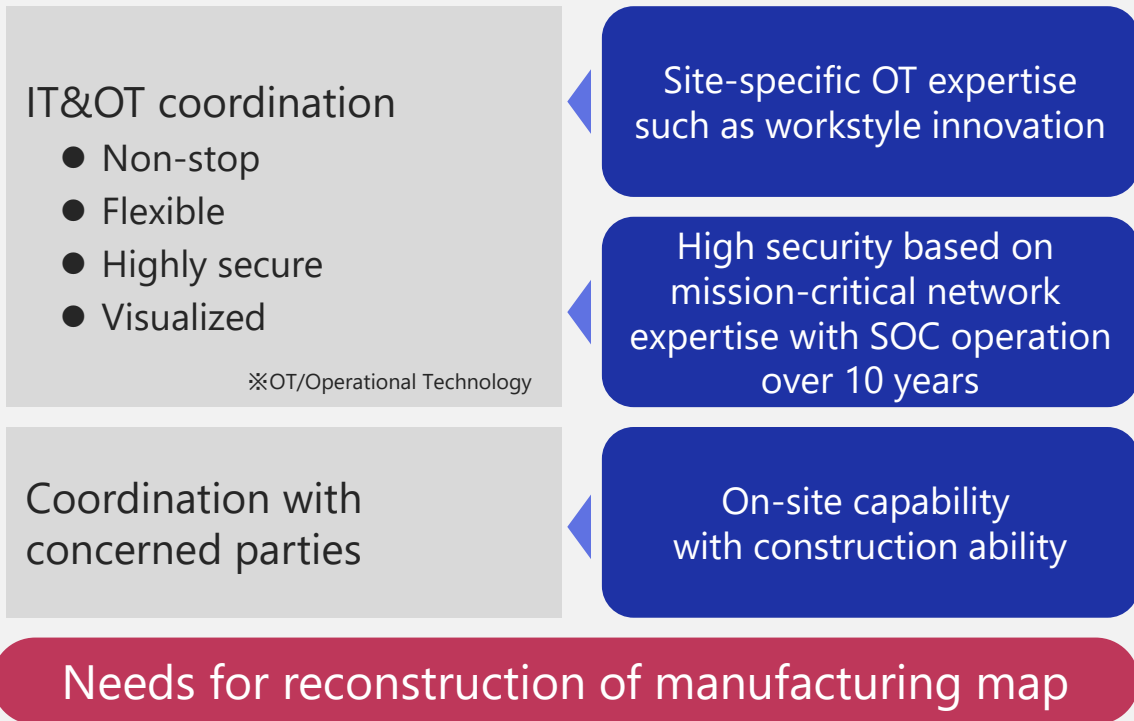
- Leverage DX to improve quality, speed, productivity and profit, developing a reference model
- Foster highly skilled professionals

Accelerating Original Value Creation: Offering Models

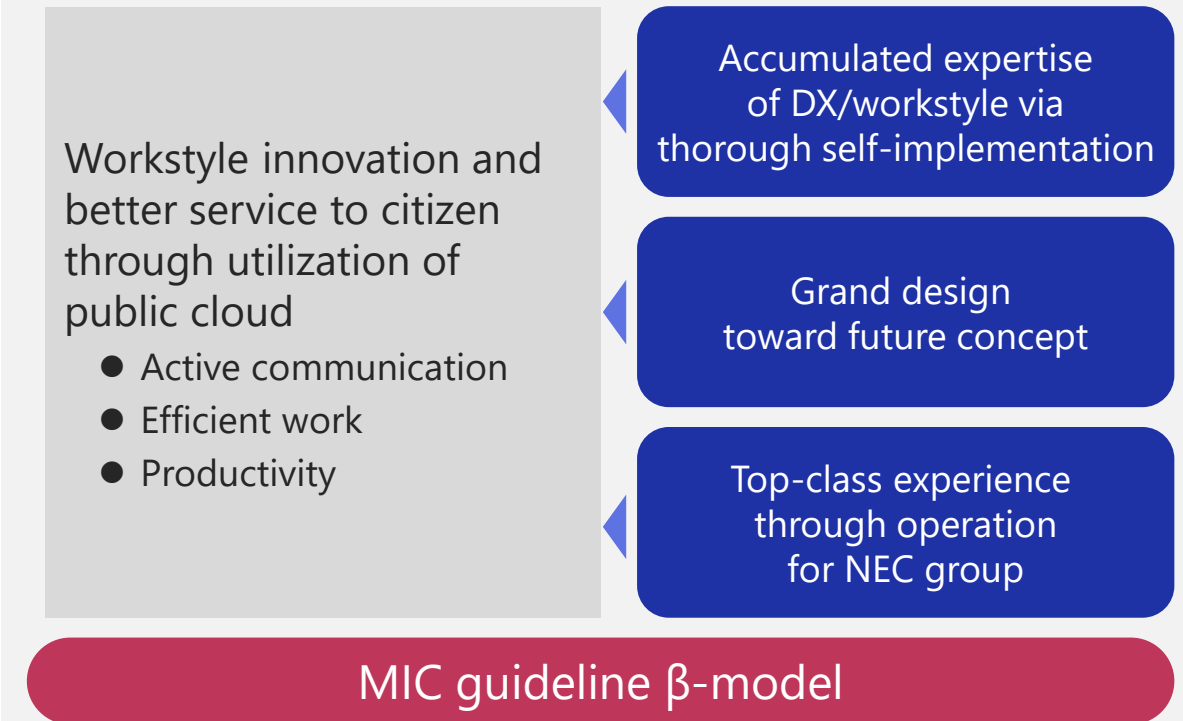
*23 models as at Sep. 2022

Prepared NESIC original offering service models* leveraging our knowhow and strengths
Horizontally expanding value-provision with consultation based on our self-implementation

Case1; Network environment development for a manufacturing company

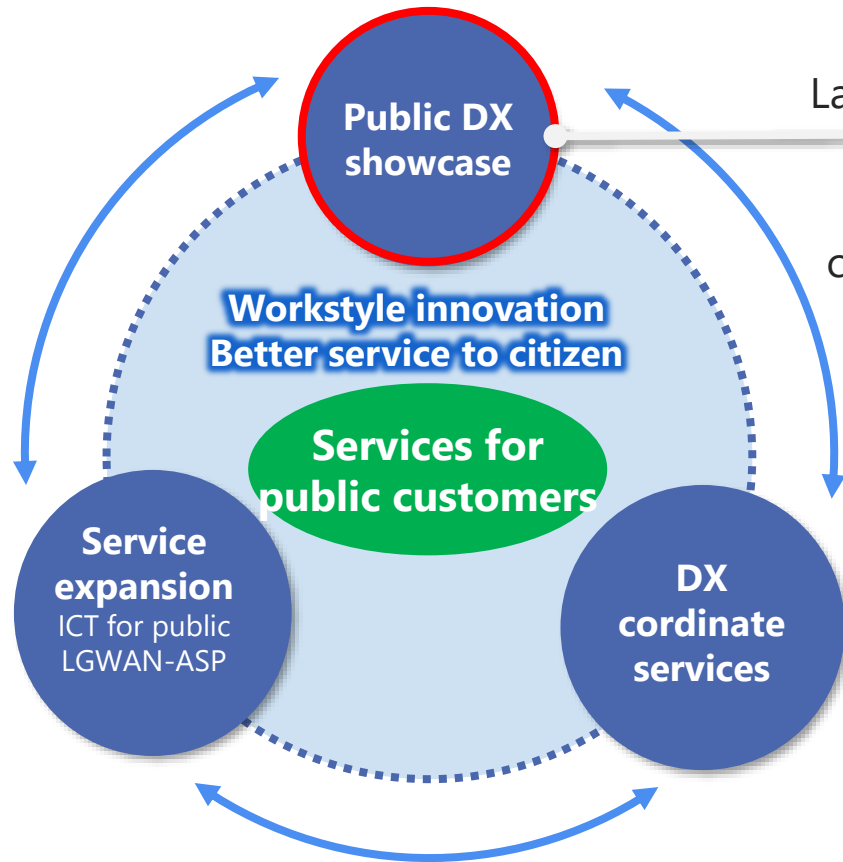


Case2: Workstyle innovation for a prefectural government



Accelerated Public DX Business

**Appealing municipality
DX/community development**
with our innovation base & technical base



Launched on July 4

Already **20**
customers visited
(as of end of Sep)

Tour corresponding to customer interests



Advancing Solution Capabilities – Local 5G

2022

Feb Disclosed L5G strategy

Apr Invested in FLARE SYSTEMS
a L5G venture company

Apr Invested in HFR
a Korean telecom manufacturer

Jul Started training
of highly skilled engineers using real L5G
at Shin-Kawasaki technical center

Reclassified quarterly data and other data

Please see our supplementary data sheet for

- Reclassified quarterly data for FY2021/3 & FY2022/3
- Sales by business type, sales by market etc.

<https://www.nesic.co.jp/english/ir/library/2022.html>

Cautionary Statement

Forecasts and targets of results mentioned in this document are future estimates and are thus inclusive of risks and uncertain factors since they are not based on definite facts. Please be aware that a variety of factors could cause actual results to differ significantly from those projected. The major factors affecting actual results include the economic climate and social trends surrounding the business of this Company's group, consumer trends vis-a-vis systems and services provided by this Company's group, as well as pressure to lower prices and ability to cope with the market in response to intensified competition.

Factors affecting results are not limited to the ones mentioned above.

Some information for reference such as impact of special factors is calculated and shown in round numbers.

There was segment change in April 2022. Segment information for the FY 2021/3 and FY 2022/3 have been recalculated to reflect the change in the content of business segments.



Re-designing your Communication



NEC Networks & System Integration Corporation will be committed to increasing customer value by redesigning future communications from the user's perspective.

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